Approved For Release 2009/02/17 : CIA-RDP04T00367R000302360001-9

Central Intelligence Agency

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

31 December 1984

China: Problems Emerge in Township Organizations

Summary

Chinese press reports suggest that the breakup of communes into township organizations is going smoothly, although the new organizations are encountering some difficulties with unclear division of labor between groups, staffing problems, and questionable economic decisions. While these difficulties are not unexpected, given the scope and speed of rural reforms, they represent areas of concern for the further development of the rural economy.

According to Chinese press reports, the breakup of communes into township (xiang) organizations has been largely completed on schedule. Although responsibility for crop production had devolved to production brigades and teams since the early 1960s, until recently communes retained significant control over political, economic and social developments in rural areas. Since December 1982, when references to communes were eliminated from the state constitution, localities have been under pressure from the national leadership to disband the communes and divide commune functions among township organizations.

The change from communes to townships is intended, in part, to capitalize on the success of rural reforms by promoting rural economic diversification, including the growth of specialized households and rural enterprises. Supporters of the change claim that diversification was hampered by the autocratic "all-in-one" management system of the communes, which stifled lower-level initiatives and discouraged economic interaction with other

---

This memorandum was prepared by China Division, Office of East Asian Analysis. Comments and questions are welcome and may be directed to the Chief, Domestic Policy Branch, OEA,

Approved For Release 2009/02/17 : CIA-RDP04T00367R000302360001-9

areas. The new townships are to rectify these problems by establishing clear divisions of responsibility between party committees, administrative groups, and economic units. 25X1

Most areas have set up townships with the same boundaries as the former communes, which themselves were created out of townships in the late 1950s. Township peoples' congresses and administrative bureaus are being established, commune party organizations have been renamed township party committees, and former "commune-run" or "brigade-run" enterprises are now referred to as "township enterprises." In some cases vestigial communes are being retained as purely economic units. Other kinds of economic units include existing enterprises, village committees, and economic committees at the township level. 25X1

Township Difficulties

Although Chinese press reporting on the new townships is favorable, problems can be discerned in three broad areas: division of labor between newly organized units, staffing, and economic accountability. 25X1

We believe the newly established township administrative groups are having difficulties wresting control of administrative affairs from party committees, as evidenced by Chinese press reports criticizing local party officials for ignoring the administrative bodies. This problem stems, in part, from the tendency for commune leaders to continue their former functions and habits under different titles. The difficulty with division of labor between party and administration also reflects the tradition of the party as the repository of real authority, a problem evident elsewhere in Chinese society. 25X1

Staffing of new township administrative organs and economic units has also presented difficulties. The labor pool of qualified individuals for the townships to draw upon is limited, and the new township organizations must compete for personnel with party organizations and the growing number of more rewarding economic opportunites in rural areas. Some townships are experimenting with methods of temporarily contracting local personnel for these slots. 25X1

Past political strife has also caused staffing difficulties. In areas with strong factional divisions, for example, the assignment of individuals to responsible posts in the townships has created a new arena of factional competition, sharpening existing political tensions. 25X1

In our view, the townships will have difficulty striking a balance between the autonomy of economic units and the rational oversight of local economic projects. In the long term, the dispersal of commune authority among party, administrative and economic components may squelch initiatives, simply by adding more bureaucratic layers. 25X1

25X1

while a single commune leadership group formerly could grant approval for a trial animal husbandry program, the consent of nineteen separate offices is now required. 25X1

At present, however, we believe Beijing's emphasis on developing new enterprises may be leading townships to undertake projects without adequate planning or oversight. Anhui Radio reported in September that over 6,000 new township enterprises had been set up in the province this year, and Xinhua recently reported that economic units in counties surrounding Suzhou have started more than 8,000 factories. 25X1

We believe that some of these projects could run into difficulty, particularly if a downturn in the economy occurs. Although most of these projects are small, together they account for sizable investments. A Xinhua report claims, for example, that Jiangsu peasants pooled 254 million yuan in the first 7 months of 1984 to fund 23,900 industrial projects. The same report cites a case in which peasant families were asked to invest several thousand yuan in a new factory in return for a job for a family member. Although reported favorably, this case illustrates the pressure township officials can use to encourage peasant investments in dubious schemes.

25X1

25X1
Approved For Release 2009/02/17 : CIA-RDP04T00367R000302360001-9

Page Denied

25X1

Next 1 Page(s) In Document Denied

25X1

Approved For Release 2009/02/17 : CIA-RDP04T00367R000302360001-9